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BAUCUS BILL WILL BRING FAIR DEAL TO AMERICAN PHARMACIES

Legislation insures pharmacies receive fair reimbursement for Medicaid prescriptions

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today introduced legislation to protect the financial security of America's pharmacies. The Fair Medicaid Drug Payment Act of 2007 will allow pharmacists to continue dispensing generic drugs – which save money for Medicaid and its beneficiaries – without fear of losing money on each prescription. This financial security will allow pharmacies to better serve Medicaid beneficiaries across the U.S.

“Community pharmacists in Montana and all across the country should not have to choose between serving Medicaid beneficiaries and going into the red” said Baucus. **“This proposal will ensure that folks can get the prescriptions they need and that pharmacies will receive a fair price for their services. It is our responsibility to protect the pharmacists and Medicaid beneficiaries who need help the most and this bill does just that.”**

The Deficit Reduction Act of 2005 (DRA) – a bill Baucus has consistently opposed – made significant changes and deep cuts in the way Medicaid pays pharmacists for dispensing generic drugs to beneficiaries. The rule implementing the DRA exacerbates the cuts and puts the financial health of America's retail pharmacies at risk. Baucus's Fair Medicaid Drug Payment Act of 2007 will avoid the most severe cuts threatening retail pharmacies by insuring these pharmacies receive adequate reimbursement for dispensing generic drugs to Medicaid beneficiaries.

The legislation is also being sponsored by Senators Blanche Lincoln (D- Ark.), Ken Salazar (D-Colo.), Joe Lieberman (I-Conn.), Pat Roberts (R-Kans.), Thad Cochran (R- Miss.), Gordon Smith (R-Ore.) and Trent Lott (R-Miss.). Provisions in the Fair Medicaid Drug Payment Act will:

- ***Improve the Definition of Average Manufacturer Price*** – The DRA imposed average manufacturer price (AMP) as the new standard for Medicaid payments to pharmacies. However, it defined AMP in a way that hurts traditional community pharmacies by including transactions in the definition of AMP that should not fairly be included. The Fair Medicaid Drug Payment Act will remove mail order transactions from the calculation of AMP. It will also exclude discounts, rebates and other price concessions that are not passed on to retail pharmacies – so only things that make pharmacies' acquisition costs cheaper will be counted.
- ***Base Payment on the Average AMP*** – The DRA and its implementing rule base Medicaid payment on the lowest AMP, making it difficult for any pharmacy that had to buy at a higher price to cover costs. The Fair Medicaid Drug Payment Act would require Medicaid payment be calculated using the weighted average AMP based on utilization.

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- ***Restore the Well-Established Definition of a Generic Drug*** – For many years, a drug has been deemed generic for payment purposes when there are three therapeutic alternatives. The DRA changed that to two alternatives. The Fair Medicaid Drug Payment Act would restore the well-established definition of three or more alternatives.
- ***Increase the Payment Rate*** – The Fair Medicaid Drug Payment Act would increase Medicaid payment from 250% of the relevant AMP to 300%. This will allow pharmacies to cover their costs of acquisition of the drug and earn enough profit to remain viable as businesses.
- ***Increase Generic Utilization in Medicaid*** – The Fair Medicaid Drug Payment Act would increase the use of generic drugs in the Medicaid program by requiring prior authorization of brand name drugs that have generic alternatives and are more expensive to the program than the generic alternatives. This will save Medicaid and its beneficiaries money.

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